DOCUMENT RESUME

ED 235 074 SO 014 849

TITLE Fair Credit Billing.
INSTITUTION Board of Governors of the Federal Reserve System, Washington, D.C.
PUB DATE Jun 83
NOTE 5p.
PUB TYPE Guides - General (050) -- Legal/Legislative/Regulatory Materials (090)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS Compliance (Legal); *Consumer Economics; Consumer Education; *Consumer Protection; *Credit (Finance); Economics Education; Federal Legislation; High Schools; Laws; Legal Problems; Legal Responsibility
IDENTIFIERS Credit Ratings; *Fair Credit Billing Act; Legal Information; PF Project

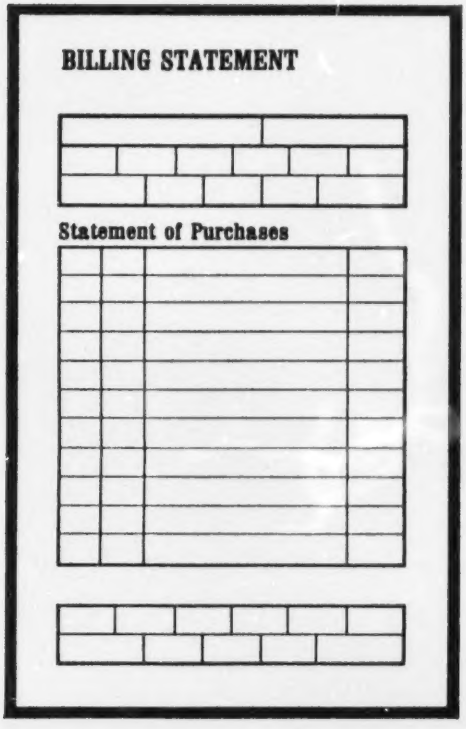
ABSTRACT

Designed for the general public and possibly suitable also for high school economics students, this pamphlet explains how to resolve a billing dispute in a way that protects the customer's credit rating and legal rights. The pamphlet focuses on specific requirements of the Fair Credit Billing law and presents the following: (1) six legal criteria for challenging the purchase or the price of an item that appears on a billing; (2) the legal obligations of the creditor and five steps the customer can follow in case of billing errors; (3) the legal prohibition against creditors giving out information that might damage the customer's credit rating once the customer has given written notice of a possible error; (4) the provision for the withholding of payment of any balance due on defective merchandise or services; and (5) penalties mandated for creditors who fail to comply with the Fair Credit Billing Law. The final section presents a list of names and locations of federal enforcement agencies which deal with questions concerning particular creditors. (LH)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED235074

Fair Credit Billing



SO 014 849

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☐ This document has been reproduced as received from the person or organization originating it.

☒ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

Emma J. Warmack

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

"Charge it!"

Magic words—unless there's an error when your bill comes. If ever you've been hassled by the credit department's computer, you'll be pleased to learn about the *rights that you have when you think that your bill is wrong.*

Fair Credit Billing, an addition to the Truth in Lending law, requires prompt correction of billing mistakes. This pamphlet explains how to resolve a billing dispute in a way that protects your credit rating.

BILLING ERROR

You may challenge either the purchase or the price of an item that appears on your billing statement. The law defines an error as any charge:

- Not made either by you or someone authorized to use your account
- Poorly identified, for a different amount or on a different date than is shown on the statement
- Something which you did not accept on delivery or which was not delivered according to agreement

Billing errors also include:

- Failure to credit your account properly
- Computational or accounting mistakes
- Failure to mail your statement to your current address, provided you notified the creditor of your address change, in writing, at least 20 days before the billing period ended

A request for additional information or an explanation about a questionable item is also considered a billing error.

IN CASE OF ERROR

If you think your bill is wrong or want more information about it, follow these steps:

1. Notify the creditor in writing within 60 days after the bill was mailed. Be sure to include:
   - Your name and account number;
   - A statement that you believe the bill contains an error and an explanation of *why* you believe there is an error;
   - The suspected amount of the error.

2. While you are waiting for an answer, you do not have to pay the amount in question (the "disputed amount") or any minimum payments or finance charges that apply to it. But you are still obligated to pay all parts of the bill that are *not* in dispute.

3. The creditor must acknowledge your letter within 30 days, unless your bill is corrected before that. Within two billing periods—but in no case more than 90 days—your account must either be corrected or you must be told why the creditor believes the bill is correct.

4. The creditor made a mistake, you do not pay any finance charges on the disputed amount. Your account must be corrected for either the full amount in dispute, or for the part of that amount that was in error.

   If the creditor determines that you still owe all or part of the disputed amount, the creditor must notify you promptly of when payment is due and how much you owe. You then have the time usually given on your type of account to pay any balance without additional finance or other charges.

   If no error is found, the creditor must also notify you promptly of when payment is due and how much you owe. In this case, the amount may include any finance charges that accumulated and any minimum payments you missed while you were questioning your bill.

5. If you still are not satisfied, you should notify the creditor within 10 days (or within the time you usually have to pay your bill before the creditor may impose additional finance or other charges). However, the creditor has not fulfilled its legal obligation, except for the requirements that follow regarding your credit rating.

YOUR CREDIT RATING

Once you have written about a possible error, the creditor may not give out information to other creditors or credit bureaus or threaten to damage your credit rating. Until your letter is answered, the creditor also may not take any collection action on the disputed amount, or restrict your account because of the dispute. A creditor can, however, apply the disputed amount against your credit limit.

But, after the bill has been explained—and if you still disagree in writing within 10 days (or within the time you usually have to pay your bill before the creditor may impose additional finance or other charges) and do not pay—the creditor can report you as delinquent on your account and begin collection proceedings. If this is done, the creditor must also report that you challenge your bill, and you must be provided in writing the name and address of each person to whom your credit information has been given. When the matter is settled, the creditor must report the outcome to each person who received information about you.

DEFECTIVE MERCHANDISE OR SERVICES

The law provides that you may withhold payment of any balance due on defective merchandise or services purchased with a credit card, provided you have made a good faith effort to return the goods or resolve the problem with the merchant from whom you made the purchase.

If the store that honored the credit card was not also the issuer of the card, two limitations apply to this right:

- The original amount of the purchase must have exceeded $50; and
- The sale must have taken place in your State or within 100 miles of your current address.

In the case of defective merchandise or services, a legal action may result to determine the validity of your claim.

PENALTIES AND OTHER PROVISIONS

The law provides that any creditor who fails to comply with these rules applying to billing errors and credit ratings automatically forfeits the amount of the item in question and any finance charges on it, up to a total of $50, even if no error occurred. You as an individual may also sue for actual damages plus twice the amount of any finance charges, in any case not less than $100 or more than $1,000. Class action suits are also permitted.

The law also includes requirements for prompt reporting and crediting of payments or return of merchandise. In addition, it provides that credit card issuers may not prohibit stores which honor their cards from offering discounts to customers who pay in cash or by check.

TO FIND OUT MORE

Creditors must provide you a complete statement of your Fair Credit Billing rights when you first open an account and at least once annually (or send a shorter version with each billing). If you have any further questions about Fair Credit Billing, you may write to any Federal Reserve Bank or to the Board of Governors of the Federal Reserve System, Washington, D.C. 20551. If your question is about a particular creditor, you may want to address it to the attention of the appropriate enforcement agency. These agencies are identified on the back of this pamphlet.

Federal Enforcement Agencies

National Banks

Comptroller of the Currency
Consumer Affairs Division
Washington, D.C. 20219

State Member Banks

Federal Reserve Bank serving the area in which the State member bank is located.

Nonmember Insured Banks

Federal Deposit Insurance Corporation Supervising Examiner for the District in which the nonmember insured bank is located.

Savings Institutions Insured by the FSLIC and Members of the FHLB System (except for Savings Banks Insured by FDIC)

The FHLBB's Supervisory Agent in the Federal Home Loan Bank District in which the institution is located.

Federal Credit Unions

Regional Office of the National Credit Union Administration, serving the area in which the Federal Credit Union is located.

Creditors Subject to Civil Aeronautics Board

Director, Bureau of Enforcement
Civil Aeronautics Board
1825 Connecticut Avenue, N.W.
Washington, D.C. 20428

Creditors Subject to Packers and Stockyards Act

Nearest Packers and Stockyards Administration area supervisor.

Federal Land Banks, Federal Land Bank Associations, Federal Intermediate Credit Banks, and Production Credit Associations

Farm Credit Administration
490 L'Enfant Plaza West
Washington, D.C. 20578

Retail Department Stores, Consumer Finance Companies, All Other Creditors, and All Nonbank Credit Card Issuers

Truth in Lending
Federal Trade Commission
Washington, D.C. 20580

Board of Governors of the Federal Reserve System

Washington, D.C. 20551
(June 1983)

FRB 1-100,000-0883